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CANADIAN SOUTH AFRICAN GOLD FUND LIMITED • ANNUAL REPORT, MARCH 31, 1974

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**GOLDFUND**

**Board of Directors**

Sidney F. Chapman, C.A.	Senior Vice-President—Finance, Thomson Newspapers Limited
John C. Gray	Executive Vice-President, St. Lawrence Starch Co. Ltd.
A. Donald McEwen	Chairman, Isard, Robertson, Easson Co. Limited
Frank H. Mingie	Vice-President, Wilder, Norris Limited
J. Douglas Norris	President, Wilder, Norris Limited
Frank V. Reddy	President, Dover Corporation (Canada) Limited
Philip M. Spicer	President, Spicer Investment Counsel Limited
John A. Tory, Q.C.	Partner, Messrs. Tory, Tory, DesLauriers & Binnington

**Officers**

A. Donald McEwen	President
Sidney F. Chapman, C.A.	Vice-President
Victor S. Dolden, C.A.	Vice-President & General Manager
John C. Gray	Treasurer
John A. Tory, Q.C.	Secretary
Robert R. McEwen	Assistant Treasurer

**Advisory Board**

A. A. Cameron, D.S.O., M.C., T.D.	Partner, Geo. Henderson & Co. Member, The Stock Exchange, London
C. R. Freemantle	Partner, Max Pollak & Freemantle Member, The Johannesburg Stock Exchange
H. A. Hare	Partner, Davis, Borkrum, Hare & Partners Member, The Johannesburg Stock Exchange
Remy Lebel	Partner, Lebel, Laborne, Wolff & Cie, Member, The Paris Stock Exchange
J. R. Martin Smith, M.C.	Partner, Rowe & Pitman, Member, The Stock Exchange, London
K. M. Thornton	Partner, Joseph Sebag & Co., Member, The Stock Exchange, London
R. W. Williams, D.F.C.	Partner, Williams de Broe, Hill Chaplin & Co., Member, The Stock Exchange, London

## President's Report to the Shareholders

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The past year has been most satisfactory for investors in gold and gold mining shares. In the year ending March 31, 1974, your GOLDFUND has also shown significant gains in the growth of its assets and income. During the past year, net assets increased nearly four fold to \$4,420,000 and the net asset value rose from \$7.89 per share to \$18.57—an increase of approximately 135%.

After such substantial moves, one must anticipate some short term consolidation. Since our March 31st year end, the net asset value of the GOLDFUND has fluctuated between a high of \$19.64 and a low of \$13.91. An accelerating rate of inflation, growing distrust of government and its ability to govern, continuing suspicion of currencies, newly created trade restrictions are but a few of the concerns pointing to steadily higher gold prices and an increased investor interest in gold as the only "store of value".

Little progress has been made in sorting out the tangled mess of international monetary affairs. Since our last report, the spread between the monetary price of gold of \$42.22 has widened further and has continued to freeze the gold content of monetary reserves. In Europe, there appears to have been some progress. Several important European countries have agreed that a necessary step to solving the present monetary crisis, would be to value and trade monetary gold at prices more in line with the prevailing free market price.

Political influences have adversely affected gold mining investments. The recent Canadian provincial and federal proposals to increase the government share of mining companies profits will curtail profits from present gold mining operations and will discourage the development of new gold mines across Canada. South African mining investments were also adversely affected by the military coup-d'état in Portugal and tribal strife within some of the South African mines' work forces.

These developments have caused the Directors to take a more defensive position. Since the year end, we have reduced our commitment in Canadian and South African companies. At the time of writing, our portfolio was

comprised of approximately 34% in gold bullion, 30% in South African gold shares, 20% in Canadian gold shares.

Since the inception of the GOLDFUND, we have pursued a policy of distributing our earned income as dividends. The new Income Tax Law has caused your Directors to review this past policy. It was decided that it was in the best of interests of the shareholders to distribute a capital gain distribution in the amount of 15¢ per share in lieu of paying a dividend of a like amount. A capital gain dividend in this amount has been declared and paid on May 29th. It is the Directors' intention to consider the payment of an ordinary dividend during the latter half of the year.

Many requests for the GOLDFUND shares have been received from investment brokers outside of Ontario. We, therefore, will attempt to file a prospectus this year which if approved will permit the sale of the GOLDFUND's shares in all provinces.

In anticipation of this year's prospectus, we will ask shareholders to approve at the Annual Meeting the following:

- (1) Changing name to Canadian GOLDFUND Limited
- (2) Splitting the shares on a two for one basis
- (3) Altering our supplementary letters patent to enable the Board of Directors to determine, with the consent of the Securities Regulatory Bodies, the GOLDFUND's investment policies and restrictions.

The outlook for gold appears promising. We foresee substantially higher prices as the year progresses and anticipate that the GOLDFUND will participate fully in this promising climate.

We would also wish to express our appreciation of the many contributions made by our retiring Directors, Mr. John A. Tory and Mr. Franklin M. de Weerdt. Both had been associated with the GOLDFUND since its inception.

A. D. McEwen  
President

Canadian South African Gold Fund Limited

Statement of Assets and Liabilities March 31, 1974

	March 31			
	1974	1973	Number of shares	Average cost
<b>Assets</b>				
Investments at market value (average cost 1974—\$2,902,741, 1973—\$921,973)	\$4,225,408	\$1,153,472		
Cash and time deposits	55,435	61,642		
Receivable for securities sold	372,112	—		
Receivable for Mutual Fund share subscriptions	134,535	—		
Dividends, accrued interest and other receivable	13,723	3,740		
Refundable tax (Note 2)	75,292	10,285		
	<u>4,876,505</u>	<u>1,229,139</u>		
<b>Liabilities</b>				
Payable for securities purchased	379,435	54,982		
Payable for Mutual Fund share redemptions	1,726	759		
Other accounts payable	472	282		
Income taxes payable	75,027	8,875		
	<u>456,660</u>	<u>64,898</u>		
Net assets at market value	<u>\$4,419,845</u>	<u>\$1,164,241</u>		
<b>Shareholders' Equity</b>				
Capital stock (Notes 3 and 4):				
Mutual Fund shares of a par value of 50¢ each—				
Authorized—				
10,000,000 shares of which 569,934 have been issued and 331,933 have subsequently been redeemed				
Outstanding—				
238,001 (1973—147,513)	\$ 119,000	\$ 73,756		
Common shares of a par value of 50¢ each—				
Authorized—1,000 shares				
Issued and fully paid—20 shares	10	10		
	<u>119,010</u>	<u>73,766</u>		
Paid-in surplus	1,823,170	777,173		
Retained earnings	39,558	5,643		
Realized gain on investments	1,115,440	76,160		
Unrealized appreciation of investments	1,322,667	231,499		
	<u>\$4,419,845</u>	<u>\$1,164,241</u>		

Approved on behalf of the Board:

S. F. CHAPMAN, Director  
A. D. McEWEN, Director

Statement of Investments March 31, 1974

		Average cost	Market value
<b>GOLD BULLION</b>			
8,000 fine ounces: 30.5%		\$1,009,292	\$1,345,802
<b>SECURITIES</b>			
<b>SOUTH AFRICAN COMPANIES: 35.3%</b>			
Blyvooruitzicht Gold Mining Co. Ltd.	88,423	155,531	
Free State Geduld Mines Limited	162,823	185,449	
President Brand Gold Mining Co. Ltd.	81,567	151,060	
St. Helena Gold Mines Limited	87,458	191,386	
Vaal Reefs Exploration & Mining Co. Ltd.	44,272	118,091	
West Dreifontein Gold Mining Company Limited	98,015	271,014	
Western Deep Levels Limited	145,169	325,427	
Western Holdings Limited	146,795	162,748	
	<u>854,522</u>	<u>1,560,706</u>	
<b>CANADIAN COMPANIES: 29.8%</b>			
Campbell Red Lake Mines Ltd.	348,442	361,000	
Dome Mines Limited	344,682	348,000	
Kerr Addison Mines Ltd.	156,699	150,600	
Kiena Gold Mines Limited	105,274	196,800	
Robin Red Lake Mines Limited	83,830	262,500	
	<u>1,038,927</u>	<u>1,318,900</u>	
	<u>\$2,902,741</u>	<u>\$4,225,408</u>	

Percentages shown relate each class of investment at market value to the net assets of the fund.

**Statement of Income and Expenses**

	<b>Year ended March 31</b>	
	<b>1974</b>	<b>1973</b>
<b>Income from investments:</b>		
Dividends	\$ 122,380	\$ 38,769
Interest (net)	3,744	7,586
	126,124	46,355
<b>Expenses:</b>		
Management fees	39,118	19,753
Withholding, capital and income taxes	22,052	9,352
	61,170	29,105
Net income for the year	<u>\$ 64,954</u>	<u>\$ 17,250</u>

**Statement of Changes in Net Assets**

	<b>Year ended March 31</b>	<b>March 8, 1967 to March 31, 1972</b>	<b>Aggregate since incorporation</b>
	<b>1974</b>	<b>1973</b>	
Sales of shares (Note 3):			
Mutual Fund	\$2,804,111	\$ 165,369	\$1,803,573
Common	—	—	100
	2,804,111	165,369	1,803,673
Retained income:			
Net income	64,954	17,250	32,528
Less: Dividends paid or payable	(31,039)	(13,515)	(30,620)
	33,915	3,735	1,908
Appreciation (depreciation) of investments:			
Realized (Note 5)	1,039,280	100,174	(24,014)
Unrealized	1,091,168	248,759	(17,260)
	2,130,448	348,933	(41,274)
Redemption of Mutual Fund shares (Note 4)	(1,712,870)	(384,812)	(733,291)
Increase in net assets	3,255,604	133,225	1,031,016
Net assets at beginning of period	1,164,241	1,031,016	—
Net assets at end of period	<u>\$4,419,845</u>	<u>\$1,164,241</u>	<u>\$1,031,016</u>
Net asset value per share at end of year	<u>\$18.57</u>	<u>\$7.89</u>	
Dividends per share	<u>\$ .20</u>	<u>\$ .10</u>	
Balance at beginning of year	\$ 777,173	\$ 979,216	
Add: Portion of proceeds on issue of Mutual Fund shares during the year	2,697,654	154,084	
	3,474,827	1,133,300	
Deduct: Portion of amount paid or credited to shareholders on Mutual Fund shares redeemed during the year	1,651,657	356,127	
Balance at end of year	<u>\$1,823,170</u>	<u>\$ 777,173</u>	

## Notes to Financial Statements March 31, 1974

- The Fund was created under the Canada Corporations Act by letters patent dated March 8, 1967 and supplementary letters patent dated February 14, 1968.
- The Fund has complied with the requirements of the Income Tax Act and the Income Tax Act Application Rules, 1971 to qualify as a mutual fund corporation.

A mutual fund corporation is subject to a special 33½% tax on dividends received from corporations resident in Canada and to tax at normal corporate rates on other income and on one-half of its realized capital gains less one-half its realized capital losses for the period. The special 33½% tax is refundable on payment of taxable dividends to shareholders at the rate of \$1.00 for each \$3.00 of such dividends paid. All the tax on net realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through the redemption of shares at the request of shareholders. Taxes subject to refund have been included as an asset of the Fund under the caption "Refundable tax".

The Fund's capital gains dividend account which amounted to approximately \$298,000 at March 31, 1974 represents the maximum amount available for distribution to shareholders as capital gains dividends.

- The following Mutual Fund shares were issued during the years indicated:

	Year ended March 31	
	1974	1973
Number	212,914	22,570
Allocation of consideration—		
Share capital	\$ 106,457	\$ 11,285
Paid-in surplus	2,697,654	154,084
	<u>\$2,804,111</u>	<u>\$ 165,369</u>

- The Mutual Fund shares are redeemable at the option of the holder in accordance with the provisions of the Fund's charter. The following Mutual Fund shares were redeemed during the years indicated:

	Year ended March 31	
	1974	1973
Number	122,426	57,369
Allocation of redemption costs—		
Share capital	\$ 61,213	\$ 28,685
Paid-in surplus	1,651,657	356,127
	<u>\$1,712,870</u>	<u>\$ 384,812</u>

- The following are the details of the realized gain on investments sold during the years indicated:

	Year ended March 31	
	1974	1973
Proceeds on sale of investments	\$2,340,970	\$1,012,159
Cost of investments at beginning of year	921,973	1,005,423
Cost of investments purchased during the year	3,282,458	828,535
	4,204,431	1,833,958
Cost of investments at end of year	2,902,741	921,973
Cost of investments sold during the year	1,301,690	911,985
Realized gain on investments	<u>\$1,039,280</u>	<u>\$ 100,174</u>

- The cost of investments purchased in foreign currencies has been translated to Canadian dollars at the rate of exchange prevailing at the time of payment. The market value of investments quoted in foreign currencies has been translated to Canadian dollars at the rate of exchange prevailing at the year end.
- Net income per share for the year ended March 31, 1974 was 40.34 cents (1973—11.2 cents) based on the average number of shares outstanding during the year.
- The Fund has eight directors who received no remuneration from the fund as directors. The six officers of the Fund, four of whom are directors, received no remuneration from the fund as officers.

## Auditors' Report

To the Shareholders of Canadian South African Gold Fund Limited:

We have examined the statement of assets and liabilities and the statement of investments of Canadian South African Gold Fund Limited as at March 31, 1974 and the statements of income and expenses, paid-in surplus and changes in net assets for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances, including confirmation, by correspondence with the depositaries, of the cash and investments owned at March 31, 1974.

In our opinion these financial statements present fairly the financial position of the Fund as at March 31, 1974 and the results of its operations and the changes in its net assets for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto  
May 22, 1974

PRICE WATERHOUSE & Co.  
Chartered Accountants

## Statistical Summary

Year Ending March 31	Net Assets	Net Asset Value Per Share	Dividends Per Share
1974	\$4,420,000	\$18.57	.20
1973	1,164,000	7.89	.10
1972	1,031,000	5.65	.05
1971	1,082,000	5.52	.05
1970	1,085,000	4.93	.05
1969	918,000	6.09	—
1968	213,000	5.32	—

## Bankers

Bank of Nova Scotia  
Royal Bank of Canada  
Samuel Montagu & Co. Ltd.

## Legal

Tory, Tory, DesLauriers & Binnington

## Auditors

Price Waterhouse & Co.

## Registrar and Transfer Agent

The Canada Trust Company  
110 Yonge Street  
TORONTO M5C 1T4

## Fund Manager

CSA Management Limited  
Suite # 504  
330 Bay Street  
TORONTO M5H 2T2

